

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 EB-11 L-03 RSC-01 DRC-01 /028 W

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P 190730Z OCT 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 9236

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PASS TREASURY FOR GORDON AN PATRICK FROM PERRAULT

E.O. 11652: N/A

TAGS: EFIN,ID

SUBJ: INCOME TAX TREATY

REFS: A. STATE 201492 AND PREVIOUS; B. STATE 205987

1. FURTHER CONTACTS WITH INDONESIANS HAVE FOCUSED ON TWO
REMAINING PROBLEMS:

A. IT IS STILL NOT ENTIRELY SETTLED WHETHER INDONESIANS
CAN RATIFY TAX TREATY BY PRESIDENTIAL DECREE; ISSUE IS NOW
BEING EXAMINED FOR THE FIRST TIME IN CONNECTION WITH THIS
ONE AND THE TREATIES WITH DUTCH AND BELGIANS. IF IT IS TO
BE SUBMITTED TO PARLIAMENT THE INDONESIANS WILL APPARENTLY
AGREE TO THE TERMINOLOGY "CONVENTION." OTHERWISE THEY MAY
STICK TO "AGREEMENT." MARDANUS OF FOREIGN AFFAIRS (DEPLU)
SUGGESTED WE FURNISH A NOTE VERBALE SETTING FORTH THE
CONSTITUTIONAL REASON FOR INSISTING ON USE OF THE TERM
"CONVENTION," A MANOEUVRE THAT SEEMS WORTH A TRY.

B. MARDANUS INFORMS US HE REMEMBERS REACHING AGREEMENT WITH
MR. GORDON OR MR. PATRICK ON DELETION IN ARTICLE 3, SUBPARAGRAPH
(1)(B) OF THE WORDS: "MEANS THE REPUBLIC OF INDONESIA. THE TERM
ALSO," WHICH APPEAR IN THE DRAFT FORWARDED BY TREASURY. ARGUMENT
THAT DELETION BLURS MEANING OTHER PROVISIONS OF THE AGREEMENT,
E.G., TITLE, PREAMBLE (AS AMENDED PER REF B), AND PROTOCOL TO
ARTICLE 12, AND THAT THIS LANGUAGE FAILS TO PARALLEL DEFINITION
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OF UNITED STATES HAVE HAD NO IMPACT. MARDANUS STATES THAT DEPLU

AND CABINET SECRETARIAT HAVE APPROVED LANGUAGE OF THAT SUBPARAGRAPH WITH DELETION, AND THAT SIMILAR LANGUAGE APPEARS IN DUTCH AND BELGIAN TREATIES ALREADY APPROVED. IN CIRCUMSTANCES SUTANTO SUGGESTED RECHECKING AS TO YOUR RECOLLECTION AGREED TEXT THAT SUBPARAGRAPH.

2. REFERENCE B JUST RECEIVED. WE AWAIT INDONESIAN REACTION.

3. ACTION REQUESTED. PLEASE FURNISH LANGUAGE FOR OUR OFFICIAL EXPLANATION TO DEPLU OF REASON WHY U.S. CANNOT PARTICIPATE IN "AGREEMENT" ON THE SUBJECT OF TAXATION, AND LET US KNOW WHAT SUBSTANCE THERE MAY BE TO MARDANUS' RECOLLECTION. CAN WE AGREE TO DELETION FROM ARTICLE 3(1)(B)? IN VIEW LIMITED GOI CAPABILITY FOR PROCESSING FORMAL TREATY TEXT AND COMPLICATIONS INHERENT FOR THEM IN WORKING IN ENGLISH, CAN WE OFFER USG SERVICES IN ENGROSSING FOR SIGNATURE?
GALBRAITH

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Message Attributes

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